BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS & QUESTIONED COSTS CITY OF HAWARDEN, IOWA FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Prepared by
Office of the City Clerk
Jason Metten, City Administrator/City Clerk
and Sharole Rens, Deputy City Clerk/Director of Finance

CITY OF HAWARDEN BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008 TABLE OF CONTENTS

	Page
Directory of City Officials	1
Independent Auditors' Report	2 – 3
Management's Discussion and Analysis	4 – 13
GOVERNMENT-WIDE FINANCIAL STATEMENTS Statement of Net Assets Statement of Activities FUND FINANCIAL STATEMENTS	
Governmental Funds Financial Statements Balance Sheet Reconciliation of the Balance Sheet to the Statement of Net Assets Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Proprietary Funds Financial Statements Combining Statement of Net Assets	23 – 24 25 – 26 27 – 30
Fiduciary Funds Financial Statements Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets	31 32
Notes to Financial Statements	33 – 53
Required Supplementary Information Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Total Reporting Entity	54 – 57

CITY OF HAWARDEN, IOWA BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008 TABLE OF CONTENTS

FINANCIAL SECTION – (CONTINUED)

	Page
Other Supplementary Information	
Governmental Non-Major Funds Combining Financial Statements Balance Sheet	58 – 59 60 – 61
Fiduciary Funds Combining Financial Statements Statement of Net Assets Statement of Changes in Assets and Liabilities	62 63
Schedule of Findings	64 – 65 66 – 67

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CITY OF HAWARDEN, IOWA Directory of City Officials as of June 30, 2008

Elected City Officers

Ricard Porter - Mayor

Council Members:

Patty Anderson (2009) Kody Hedden (2009) George Jacobs (2009) Larry Bauder (2011)) Robert Borchers (2011)

Hospital Trustees:

Glea Hamik Matt Hummel Pam Harvey Mary Jacobs StanHoekstra Cynthia Porter

Appointed City Officers

Jason Metten – City Administrator/City Clerk/Telecommunications Director
Spencer Haacke – Economic Development Director
Sharole Rens – Director of Finance/Deputy City Clerk
Jim Pickner – City Attorney
Tom Kane – Director of Public Works
Mike DeBruin – Chief of Police
Jami Dekkers – Activity Director
Valerie Haverhals – Librarian
Jerry Wilson, EMS Director

Appointed Boards and Commissions

Library Board of Trustees:

Mary Weyer – Chairman Teri Kallsen – Vice Chairman Lois Jean Dawson Kay Scroggs Tony Lauters

Board of Zoning Adjustment:

William Salker – Chairman Julie Miller Jack Andela Arvin Kitchenmaster John Polifka

Planning and Zoning Commission

Carol Frerichs, Chairman
Mike Wiggins, Vice Chairman
Lloyd Strong, Jr.
Virginia Moothart
Jerry Jensen
Lloyd Youngkin
Brett Jorgensen

Park Board:

Duane Schiefen Jerrod Lynott Elaine Kane John Blankenship Jim Kinney



21 1st Avenue NW P.O. Box 1010 Le Mars, IA 51031 Phone (712) 546-7801 Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council City of Hawarden, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$3,846,474 and total program revenues of \$5,407,554 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 54 through 57, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P. C. Certified Public Accountants

January 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2008 by \$14,112,914. Of this amount, \$4,782,017 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased \$80,193 during the year. Of this amount, the assets of our Governmental Activities decreased \$237,153 and the assets of our Business-Type Activities increased \$156,960.
- The City's long-term debt decreased \$398,080 due to scheduled debt service payments. Outstanding General Obligation debt totals \$1,131,514. Outstanding Revenue Bond Debt totals \$2,435,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- Governmental Activities Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- Business Type Activities The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

• Governmental Funds – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds

are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds – When the City charges customers for the service it
provides, these services are generally reported in Proprietary Funds. Proprietary
Funds are reported in the same way that all activities are reported in the
Statement of Net Assets and the Statement of Activities. The major difference
between the Proprietary Funds report and the Business Type Activities report in
the government-wide statements is the detail and additional information, such as
cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2008, net assets changed as follows:

	Governmental Activities		Business Activit		Total		
	2008	2007	2008	2007	2008	2007	
Current and Other Assets	\$ 2,937,704	\$ 2,969,092	\$5,022,058	\$4,821,953	\$7,959,762	\$7,791,045	
Capital Assets	8,634,199	8,855,573	2,793,320	3,041,537	11,427,519	11,897,110	
Total Assets	11,571,903	11,824,665	7,815,378	7,863,490	19,387,281	19,688,155	
•							
Long-term Liabilities Outstanding	1,308,641	1,425,377	2,201,982	2,460,452	\$3,353,134	3,912,829	
Other Liabilities	1,151,152	1,050,025	612,592	559,194	1,921,233	1,582,219	
Total Liabilities	2,459,793	2,475,402	2,814,574	3,019,646	5,274,367	5,495,048	
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	7,513,685	7,583,573	390,237	346,537	7,903,922	7,930,110	
Restricted	194,751	1,765,690	1,232,224	1,279,826	1,426,975	1,279,826	
Unrestricted	1,403,674	1,564,221	3,378,343	3,217,481	4,782,017	4,781,702	
Total Net Assets	\$ 9,112,110	\$ 9,349,263	\$5,000,804	\$4,843,844	\$14,112,914	\$14,193,107	

The government's net assets decreased by \$80,193 during the current fiscal year. Reasons for the decrease of the government's net assets are higher wholesale utility rates as well as cash reserves used to complete a new switchgear facility for the electric utility. This summary reflects a decrease of total net assets by 2.5% for the Governmental Activities and an increase of 3.2% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in Fiscal 2008 as compared to Fiscal 2007 are shown in the chart below.

	Governr Activi		Business Activit		Total		
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program Revenues: Charges for Services Operating Grants &	\$ 340,865	\$ 315,700	\$5,713,064	\$5,422,560	\$ 6,053,929	\$ 5,738,260	
Contributions Capital Grants &	50,977	26,523	-	-	50,977	26,523	
Contributions General Revenues:	91,750	195,764	-	-	91,750	195,764	
Property Taxes	923,401	895,892	-	_	923,401	895,892	
Other Taxes	261,297	238,350	-	-	261,297	238,350	
Other	376,260	366,985	159,448	186,917	535,708	553,902	
Total Revenues	\$2,044,550	\$2,039,214	\$5,872,512	\$5,609,477	\$ 7,917,062	\$ 7,648,691	

	Govern Activ			ss-Type vities	Total			
	2008	2007	2008	2007	2008	2007		
Expenses:				_				
General Government	\$ 148,159	\$ 108,307	\$ -	\$ -	\$ 148,159	\$ 108,307		
Public Safety	522,847	524,993	-	-	522,847	524,993		
Public Works	501,759	466,822	-	-	501,759	466,822		
Health & Welfare	262,592	239,645	-	-	262,592	239,645		
Culture & Recreation	520,230	452,246	-	-	520,230	452,246		
Community and		000 400			500 570	000 400		
Economic Development	508,572	383,126	-	-	508,572	383,126		
Capital Projects	26,767		-	=	26,767	77 200		
Debt Service	87,277	77,329		004.040	87,277	77,329		
Water Utility	-	-	361,918	294,049	361,918	294,049		
Waste Water Utility	-	-	333,935	315,530	333,935	315,530		
Electric Utility	-	=	1,869,853	2,018,495	1,869,853	2,018,495		
Gas Utility	-	-	1,574,957	1,430,129	1,574,957	1,430,129		
Solid Waste Utility	-	-	161,551	157,630	161,551	157,630		
Telephone Utility	-	-	755,841	875,078	755,841	875,078		
Cable/Internet Utility		0.050.400	360,997	331,926	360,997	331,926		
Total Expenses	2,578,203	2,252,468	5,419,052	5,422,837	7,997,255	7,675,305		
Increase (Decrease) in Net								
Assets Before Transfers	(533,653)	(213,254)	453,460	186,640	(80,193)	(26,614)		
Transfers	296,500	384,000	(296,500)	(384,000)	` · · · -	-		
Increase (Decrease) in		· -		· · · · · · · · · · · · · · · · · · ·				
Net Assets	(237,153)	170,746	156,960	(197,360)	(80,913)	(26,614)		
Net Assets July 1	9,349,263	9,178,517	4,843,844	5,041,204	14,193,107	14,219,721		
Net Assets June 30	\$ 9,112,110	\$ 9,349,263	\$ 5,000,804	\$ 4,843,844	\$ 14,112,914	\$ 14,193,107		

Program revenues totaled \$6,196,656 for fiscal year 2008 compared to \$5,960,547 for fiscal year 2007. Governmental Activities provided \$483,592 and Business-Type Activities provided \$5,713,064. Revenue collected for Charges for Services during fiscal year 2008 was \$6,053,929, accounting for 97.7% of the total program revenues.

General Revenues for fiscal year 2008 totaled \$1,720,406. Governmental Activities provided \$1,560,958 and Business-Type Activities provided \$159,448. Property Tax Revenues for fiscal year 2008 totaled \$923,401 accounting for 53.7% of General Revenues.

Expenditures for fiscal year 2008 totaled \$7,997,255. Expenditures for General Governmental Activities totaled \$2,578,203, accounting for 32.2% of total expenditures. Business-Type Activity expenditures totaled \$5,419,052, for 67.8% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public SafetyPublic Works	Individual & Community Protection, Physical Health Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities

Program Level

Activity

Economic Development, Community Beautification, Planning and Zoning
Administration, Support Services
Payment of Principal and Interest
Construction of Capital Facilities
Operation of Water Treatment Plant/Supply
Distribution System
Operation of the Waste Water Treatment
Plant/Collection System
Operation of Electric Distribution System
Operation of Natural Gas Distribution System
Oversight of Solid Waste Contract/Closed Landfill
Operation of Telephone Communication System
Operation of Cable/Internet System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$522,847 and received \$169,871 in revenue, thus leaving a cost to the taxpayer of \$352,976 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety
Culture and Recreation
General Government

Fines, Fees Fees, Donations, Grants

Licenses, Permits

The total cost of governmental activities this year was \$2,578,203. Of these costs, \$340,865 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$142,727, leaving a Net Expense of \$2,094,611 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$11,690,313, consisting of Net Assets at July 1, 2007 of \$9,349,263, Program Revenues of \$483,592 and General Revenues and transfers of \$1,857,458. Total Governmental Activities during the year expended \$2,578,203; thus, Net Assets were decreased by \$237,153, to \$9,112,110.

Business-Type Activities

Business-Type Activities increased the City's net assets by \$156,960.

The cost of all Proprietary Activities this year was \$5,419,052. As shown in the Statement of Activities, the amounts paid by users of the systems was \$5,713,064, resulting in total Net Revenue for Business-Type Activities of \$294,012.

Total resources available during the year to finance Proprietary Fund activities were \$10,419,856, consisting of Net Assets at July 1, 2007 of \$4,843,844, Program Revenues of \$5,713,064 and General Revenues and transfers of \$(137,052). Total Proprietary Fund Activities during the year expended \$5,419,052; thus Net Assets were increased by \$156,960 to \$5,000,804.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$803,582. The combined Governmental Funds balance decreased \$279,504 from the prior year. This decrease would be accounted for primarily by lower interest rates and the completion of the Hill Addition Street Improvement Project.

The General Fund is the primary operating fund of the City. During the year, expenditures were greater than revenues in the General fund by \$161,170. This amount is higher than 2007 when expenditures were more than revenue in the General fund by \$58,388. The TIF Fund also saw a decrease in fund balance of \$156,664, due mainly to increased capital outlays to be repaid with future TIF collections. The debt service fund saw very minimal changes from FY07.

Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended			Actual		•
	Budget		Exp	enditures	Variance	
Public Safety	\$	534,146	\$	509,602	\$	24,544
Public Works		356,433		350,041		6,392
Culture and Recreation		459,744		447,757		11,987
Community and						
Economic Development		116,500		110,342		6,158
General Government		149,081		140,581		8,500
Health and Social Services		260,000		261,297		(1,297)
Debt Service		262,358		225,941		36,417
Capital Projects		483,625		443,342		40,283
Business Type Activities		10,946,586		10,980,059		(33,473)
		·				
Total Expenditures	\$	13,568,473	\$	13,468,962	\$	99,511

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$14,782,078 was increased to \$14,849,078 (an increase of \$67,000). A substantial portion of this increase can be attributed to additional local option sales tax revenue.
- Intergovernmental revenue exceeded budget figures by \$271,236 due to grant proceeds from various sources for various projects.
- Rate of Interest on Investments exceeded budget figures by \$188,367 due to the City's policy annually requesting bids for banking services as well as an increase within the market.
- The total original expenditure budget of \$14,123,261 was increased to \$14,376,761 (an increase of \$253,500).
- The above amendments to budgets were related to appropriation for capital improvements and debt refinancing. Capital project expenses included the completion of the Fire Station/Public Works Street Department project and the completion of the Heart of Hawarden projects, among others. Expenditures fell below the revised budget projections by \$99,511. This is primarily due to careful attention to expenditures.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2008, was \$7,903,922 (net of accumulated depreciation and outstanding

financings) compared to \$7,930,110 as of June 30, 2007. The decrease can be accounted for by the completion of several large capital projects within Business-Type Activities and no new projects underway, allowing depreciation expense to exceed capital outlays. See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end, the City had \$3,712,430 of debt outstanding. The decrease of outstanding debt can be attributed to no new debt being issued in FY08 and the planned repayment of the existing debt. Debt administration is on track for all City debt to be repaid within the next 10 years. This rapid repayment, when combined with the use of TIF revenue has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,133,647. With outstanding General Obligation Debt applicable to this limit of \$1,131,514, we are utilizing 27% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

ECONOMIC FACTORS

The City of Hawarden worked hard in FY 2007-2008 to maintain a progressive approach to growth and community development. During the year work proceeded on vertical infrastructure for a residential subdivision, capital projects continued as scheduled and the Comprehensive plan was completed. This Comprehensive plan will be vital in many of our grant applications and providing a direction for future economic dollars. The planning took many volunteer and city professional man hours to construct and refine. The plan was adopted in the summer of 2008 and will be utilized for many years to come.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Plasticology L.L.C.'s production and distribution facility is up and running providing needed job growth to the community. Plasticology's growth is evident in the 20,000 square foot expansion of the existing facility which has been completed. The City of Hawarden was awarded a \$300,000 Rural Economic Development Grant from the USDA to establish a Revolving Loan Fund for future business expansion. This grant will be loaned to Hawarden Area Partnership for Progress (HAPP) to build a Spec Building in Fiscal Year 2008-2009. Also, one of our local businesses, Bomgaars has committed to building a new store in the South Industrial Park next fiscal year. The City will be putting in the infrastructure for both of these buildings.

In business and industry recruitment, the City of Hawarden's Economic Development Director continues to work on business recruitment and retention. Furthermore the director will focus on marketing Hawarden through various means (i.e. internet, flyers) both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden has expanded its comprehensive marketing campaign to promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world. Fiscal year 2009 will see a new marketing strategy in the development of the City's and any City Partnership websites that will assist in branding of Hawarden which will include the development of a virtual realtor to showcase available buildings as well as a personalized multimedia package that will be given to prospective new businesses.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The new Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. This year a large section of the trail was completed along 23rd Street, and work on the walking trail will continue in Fiscal Year 2009 along County Road K-18, with additional sections being completed in future years. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code. In addition to dozens of successful requests to remove nuisance violations, four structures that met the statutory definition of "Unsafe" were demolished.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharole Rens at 712-551-2565.

SISTER shared Cash Equivalents calvables (Net, where applicable, of allowance for uncollectibles) with and Cash Equivalents (Net, where applicable, of allowance for uncollectibles) and the state of the control of the		Primary G rnmental tivities		nment Business-Type Activities		Total	mponent Unit Hawarden Community Hospital
sah and Cash Equivalents	SSETS	 uvides		Activities		Total	 Tiospitai
uncollectibles) 41,885 175,885 217,785 819,18 Tases 15,28 176,885 217,785 819,18 Tases 15,41,477 0.0,589 1,014,197 10,589 1,014,197 Other - 210,388 210,388 210,388 210,388 210,388 210,388 210,388 20,000 63,621 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 20,000 1,014,197 20,000 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 1,014,197 20,000 1,014,197 <td>Cash and Cash Equivalents</td> <td>\$ 1,257,230</td> <td>\$</td> <td>463,483</td> <td>\$</td> <td>1,720,713</td> <td>\$ 799,54</td>	Cash and Cash Equivalents	\$ 1,257,230	\$	463,483	\$	1,720,713	\$ 799,54
uncollectibles) 41,885 175,885 217,785 819,18 Tases 15,28 176,885 217,785 819,18 Tases 15,41,477 0.0,589 1,014,197 10,589 1,014,197 Other - 210,388 210,388 210,388 210,388 210,388 210,388 210,388 20,000 63,621 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 20,000 1,014,197 20,000 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 20,000 1,014,197 1,014,197 20,000 1,014,197 <td>Receivables (Net, where applicable, of allowance for</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Receivables (Net, where applicable, of allowance for						
Taxes 15.225 15.225 15.225 15.225 15.225 15.225 15.225 15.225 15.225 15.225 15.245 15.2	uncollectibles)						
Subsequent Year Taxes	Accounts	41,880		175,865		217,745	819,82
Subsequent Year Taxes		15.225		-		15,225	
Accrued Interest Other Cher Cher Cher Cher Cher Cher Cher C				•			
Coher				10.359			
Estimated Unbilled Usage \$ 210,388 \$ 210,388 \$ 20,388 \$ 20,508 \$,			63,88
Special Assessments		_		210 388		210 388	55,5
Piedgas Receivable 12,500		760		•			
Notes Receivable 145,916 145,916 145,916 145,916 148,917 149,937 149,937 149,937 149,937 149,937 149,937 149,937 153,747 153,7				1,545			
Internal Balances				•		-	
Advances to Other Funds	Notes Receivable			- · · · · · · · · · · · · · · · · · · ·		145,916	
Due from Related Party 157,407 57,407 57,407 58,105 57,407 57,407 58,105 58	Internal Balances			, , ,		-	
Due from Other Governmentel Agencies 57,407 - 57,407 - 82,	Advances to Other Funds	(490,897)	ı	490,897		-	
Due from Other Covernmental Agencies 57,407 - 57,407 - 82, 2 - 409,912 409,912 632, 2 - 409,912 - 4	Due From Related Party	-		_		-	153,19
Section		57.407		-		57,407	
						•	82,19
Spall Assets				400 012		400 012	
vestment In Joint Venture 866,641 865,641 Cash and Cash Equivalents- Council Restricted 550,000 2,033,029 2,533,029 331,233 Cash and Cash Equivalents - Donor Restricted - 373,323 373,323 Cash and Cash Equivalents - Donor Restricted 135,534 - 135,534 Customer Deposits - 42,663 42,663 not all suse Costs 11,000 31,917 42,917 not all suse Costs 11,000 31,917 42,967 not all suse Costs 11,000 31,917 42,917 not presented Equipment, Net - 139,276 59, firstructure, Property and Equipment, Net - 139,276 59, firstructure, Property and Equipment, Net - 10,774,274 1,316, firstructure, Property and Equipment, Net - 10,774,274 1,316, firstructure, Property and Equipment, Net - 2,597,950 10,774,274 1,316, Accrude Papershall - 11,571,963 7,815,378 90,000,000 360,000		47 900					
satiritidal Asselts: Cash and Cash Equivalents- Council Restricted 550,000 2,033,029 2,583,029 331, 281 Cash and Cash Equivalents- Donor Restricted - 373,323 373,323 373,523 135,534 - 135,534 - 135,534 - 135,534 - 142,663 42,663 34,265 135,534 - 135,534 - 135,534 - 135,534 - 12,600 - 136,503 - 7,000 - 136,503 - 7,000 - 7,000 - 136,907 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 7,000 - 1,014,137 - 1,014,137 - 1,014,137		47,820				-	40,0
Cash and Cash Equivalents- Council Restricted Plant Replacement 550,000 2,033,029 2,583,029 331,23 Cash and Cash Equivalents - Bond Reserve - 373,323 373,323 Lost Dance Restricted - 42,683 42,683 Customer Deposits - 42,683 42,683 not all suse Costs 11,000 31,917 42,917 not all suse Costs 11,000 31,917 42,917 not prostruction in Progress - 139,276 59,9 frastructure, Property and Equipment, Net - 139,276 10,274,274 1,316,7 Accumused Depreciation (Note 4) 8,176,284 2,569,950 10,774,274 1,316,7 AbiLITIES - - 4,000 - 40,010 360,00 Accounts Payable to Discretely Presented Component Unit 40,100 20,00 30,00 360,00 Accounde Expanses 377 4,497 4,674 68,00 Accuded Expenses 377 4,497 4,676 68,00 Deferor Grevenue Subsequent Year Taxes		-		866,641		866,641	
Cash and Cash Equivalents- Donor Restricted 373,323 373,323 99. Cash and Cash Equivalents- Bond Reserve 135,934 - 135,93	estricted Assets:						
Cash and Cash Equivalents - Bond Reserve Investments - Dornor Restricted 135,934 (155,934	Cash and Cash Equivalents- Council Restricted Plant Replacement	550,000		2,033,029		2,583,029	
Cash and Cash Equivalents - Bond Reserve Investments - Donor Restricted 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,934 - 135,936	Cash and Cash Equivalents- Donor Restricted	-		-		-	99,4
Investments - Donor Restricted 135,934 - 135,934 - 126,633 42,683 - 126,633 42,683 - 126,633 42,683 - 126,633 42,683 - 126,633 42,683 - 126,633		-		373.323		373,323	
Customer Deposits 4, 2,663 42,663 42,663 1,000 31,917 42,917 1,000 31,917 42,917 1,000 1,000 31,917 42,917 1,000 1,000 31,917 12,917 1,000 7,000 1,000 <		135 934					
ond Issue Costs in ond Issue Costs in one of State Costs in Organization in Progress in State Costs in State Cost		100,004		42 663			
Indication in Progress		44.000		•			
139,276 139,276 59, 139,276 139,276 59, 125,							7.0
Restricture, Property and Equipment, Net of Accumulated Depreciation (Note 4) 1,318, 1,518, 1,		457,875					
of Accumulated Depreciation (Note 4) 8,176,324 2,597,560 10,772,724 1,318, 38,46, ABILITIES 11,571,903 7,816,378 19,387,281 3,846, 38,46,46, 38,46,46,46,46,46,46,46,46,46,46,46,46,46,	onstruction in Progress	-		139,276		139,276	59,5
of Accumulated Depreciation (Note 4) 8,176,324 2,597,560 10,772,724 1,318, 38,46, ABILITIES 11,571,903 7,816,378 19,387,281 3,846, 38,46,46, 38,46,46,46,46,46,46,46,46,46,46,46,46,46,	frastructure, Property and Equipment, Net						
Total Assets	of Accumulated Depreciation (Note 4)	8,176,324		2,597,950		10,774,274	1,318,4
ABILITIES Accounts Payable to Discretely Presented Component Unit 40,410 - 40,410 40,4	· · · · · · · · · · · · · · · · · · ·			7.815.378		19.387.281	 3.846.4
Accounts Payable to Discretely Presented Component Unit 61,075 238,989 300,064 360, Accounts Payable to Discretely Presented Component Unit 40,410 - 40,410 2.94,410 12,021 32,861 221,4 Accrued Wages 20,840 12,021 32,861 221,4 Accrued Expenses 377 4,497 4,674 68, December 10,4 10,4 10,4 10,4 10,4 10,4 10,4 10,4		 					
Accounts Payable to Discretely Presented Component Unit 61,075 238,989 300,064 360, Accounts Payable to Discretely Presented Component Unit 40,410 - 40,410 2.94,410 12,021 32,861 221,4 Accrued Wages 20,840 12,021 32,861 221,4 Accrued Expenses 377 4,497 4,674 68, December 10,4 10,4 10,4 10,4 10,4 10,4 10,4 10,4	IABILITIES						
Accounts Payable to Discretely Presented Component Unit 40,410 - 40,410 Accrued Wages 20,640 12,021 32,661 221,040 Accrued Wages 20,640 12,021 32,661 221,040 Accrued Poses 377 4,497 4,874 68,0 Due to Other Governments - 35,540 35,540 Accrued Pose Value - 4,760 4,740 4,740 4,740 4,740 4,740 4,740 4,740 4,740 4,740 <td></td> <td>61.075</td> <td></td> <td>238,989</td> <td></td> <td>300.064</td> <td>360,4</td>		61.075		238,989		300.064	360,4
Accrued Wages 20,840 12,021 32,681 221,					•		•
Accrued Expenses 377				12 021			221 (
Due to Other Governments - 35,540 35,540 Accrued Postclosure Costs - 4,760 4,760 Uneamed Revenue - 1,382 1,382 Deferred Revenue - Subsequent Year Taxes 1,014,137 - 1,014,137 Accrued Interest Payable 14,513 - 14,513 Payables from Restricted Assets: - 42,663 42,663 Customer Deposits - 7,740 7,740 Revenue Bond Interest - 7,740 7,740 Revenue Bonds Payable - 265,000 265,000 Long-Term Liabilities: Due within one year: - 148,000 - 148,000 Notes Payable 6,942 - 6,942 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 111, 6,319 11							
Accrued Postclosure Costs		377					00,2
Uneamed Revenue		-					
Deferred Revenue - Subsequent Year Taxes	Accrued Postclosure Costs	-					
Accrued Interest Payable 14,513 - 14,513 Payables from Restricted Assets: - 42,663 42,663 Customer Deposits - 7,740 7,740 7,740 Revenue Bonds Payable - 265,000 265,000 265,000 Long-Term Liabilities: - 265,000 265,000 265,000 Due within one year: - 36,942 - 148,000 - 148,000 Notes Payable 6,942 - 6,942 111, Compensated Absences 3,121 3,198 6,319 Due in more than one year: - 2,170,000 2,170,000 Revenue Bonds Payable - 2,170,000 2,170,000 General Obligation Bonds 983,514 - 983,514 Notes Payable - 2,809 28,784 56,874 Compensated Absences and Benefits, Long-Term 28,090 28,784 56,874 Total Liabilities 2,459,793 2,814,574 5,274,367 1,103, ET ASSETS Invested in Capital Assets, Net of Related Debt 7,513,685 390,237 7,903,922 931, Restricted for: - 365,583 365,583 186,641 Debt Service 31,732 - 365,583 365,583 186,641 Endowments: - 27,085	Unearned Revenue	-		1,382		1,382	
Accrued Interest Payable 14,513 - 14,5	Deferred Revenue - Subsequent Year Taxes	1,014,137		-		1,014,137	
Payables from Restricted Assets: Customer Deposits	· · · · · · · · · · · · · · · · · · ·	14.513		_		14.513	
Customer Deposits - 42,663 42,663 Accrued Revenue Bond interest - 7,740 7,740 Revenue Bonds Payable - 265,000 265,000 Long-Term Liabilities: Due within one year: General Obligation Bonds 148,000 - 148,000 Notes Payable 6,942 - 6,942 111, Compensated Absences 3,121 3,198 6,319 114,000 Due in more than one year: - 2,170,000 2		,					
Accrued Revenue Bond Interest - 7,740 7,740 Revenue Bonds Payable - 265,000 265,000 Long-Term Liabilities: Due within one year: General Obligation Bonds 148,000 - 148,000 Notes Payable 6,942 - 6,942 111, Compensated Absences 3,121 3,198 6,319 Due in more than one year: Revenue Bonds Payable - 2,170,000 2,170,000 General Obligation Bonds 983,514 - 983,514 Notes Payable 138,974 - 138,974 342, Compensated Absences 29,990 28,784 55,874 Total Liabilities 29,990 28,784 55,874 Total Liabilities 7,513,665 390,237 7,903,922 931, Restricted for: Debt Service 31,732 - 31,732 Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: Expendable 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648				40.000		40.000	
Revenue Bonds Payable - 265,000 265,000 Long-Term Liabilities: Due within one year: General Obligation Bonds 148,000 - 148,000 Notes Payable 6,942 - 6,942 111, Compensated Absences 3,121 3,198 6,319 111, Due in more than one year: Revenue Bonds Payable - 2,170,000 2,170,000 2,170,000 2,170,000 393,514 - 983,514 - 983,514 - 983,514 - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 138,974 342, - 1,103, - - 1,103, - - 1,103, - - 1,103, - - - - - - - - - - - - - - - - - -		-					
Due within one year: General Obligation Bonds 148,000 - 148,000 - 6,942 111,	Accrued Revenue Bond Interest	-					
Due within one year: General Obligation Bonds	Revenue Bonds Payable	-		265,000		265,000	
Due within one year: General Obligation Bonds	Long-Term Liabilities:						
General Obligation Bonds Notes Payable 148,000 6,942 - 148,000 6,942 - 148,000 6,942 111, 3,198 6,942 111, 6,942 111, 3,198 6,319 111, 6,319 111, 6,319 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>							
Notes Payable		148.000		_		148.000	
Compensated Absences 3,121 3,198 6,319							111
Due in more than one year: Revenue Bonds Payable - 2,170,000 2,170,000 General Obligation Bonds 983,514 - 983,514 Notes Payable 138,974 - 138,974 342, Compensated Absences and Benefits, Long-Term 28,090 28,784 56,874 Total Liabilities 2,459,793 2,814,574 5,274,367 1,103, ET ASSETS Invested in Capital Assets, Net of Related Debt 7,513,685 390,237 7,903,922 931, Restricted for: Debt Service 31,732 - 31,732 Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: Expendable 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648 Unrestricted 1,403,674 3,378,343 4,782,017 1,648 Total Liabilities 2,170,000 2,170,000 2,170,000 2,170,000 2,170,000 2,170,000 342,000 28,784 56,874 56,874 56,874 56,874 7,513,685 390,237 7,903,922 931,836 7,903,922 931,836 31,732 7,903,922 931,836 7,903				2 400			1117
Revenue Bonds Payable		3,121		3,198		0,019	
General Obligation Bonds 983,514 - 983,514 Notes Payable 138,974 - 138,974 342,						0.470.000	
Notes Payable		-		2,1/0,000			
Compensated Absences and Benefits, Long-Term 28,090 28,784 56,874 Total Liabilities 2,459,793 2,814,574 5,274,367 1,103, ET ASSETS Invested in Capital Assets, Net of Related Debt 7,513,685 390,237 7,903,922 931, Restricted for: Debt Service 31,732 - 31,732 931, Restricted for: Debt Service 31,732 - 365,583 365,583 966,681<	General Obligation Bonds			-			
Compensated Absences and Benefits, Long-Term 28,090 28,784 56,874 Total Liabilities 2,459,793 2,814,574 5,274,367 1,103, ET ASSETS Invested in Capital Assets, 30,237 7,903,922 931, Restricted for: 31,732 5 31,732 31,732 Revenue Bonds 2 365,583 365,583 365,583 Investment in Joint Venture 866,641 866,641 866,641 Endowments: 27,085 5 27,085 67 Nonexpendable 135,934 5 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648	Notes Payable	138,974		-			342,
Total Liabilities		28,090		28,784		56,874	
Invested in Capital Assets, Net of Related Debt Restricted for: Debt Service Revenue Bonds Investment in Joint Venture Endowments: Expendable Nonexpendable Nonexpendable Unrestricted Investment In						5,274,367	1,103,
Invested in Capital Assets, Net of Related Debt 7,513,685 390,237 7,903,922 931, Restricted for:							-
Net of Related Debt 7,513,685 390,237 7,903,922 931,732 Restricted for: 31,732 - 31,732 - 31,732 Debt Service 31,732 - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: Expendable - 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648	ET ASSETS						
Net of Related Debt 7,513,685 390,237 7,903,922 931, Restricted for: Debt Service 31,732 - 31,732 Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: Expendable 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648	Invested in Capital Assets,						
Restricted for: 31,732 31,732 Debt Service 31,732 - 31,732 Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: - 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648		7,513,685		390.237		7,903.922	931,
Debt Service 31,732 - 31,732 Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: - 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648		. ,		, -			
Revenue Bonds - 365,583 365,583 Investment in Joint Venture - 866,641 866,641 Endowments: - 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648		24 722	,			31 732	
Investment in Joint Venture		31,/32		225 522			
Endowments: 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648		-					
Expendable 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648	Investment in Joint Venture	-		866,641		866,641	
Expendable 27,085 - 27,085 67 Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648	Endowments:						
Nonexpendable 135,934 - 135,934 96 Unrestricted 1,403,674 3,378,343 4,782,017 1,648		27.085	;	-		27,085	67.
Unrestricted 1,403,674 3,378,343 4,782,017 1,648				_			
				0 070 040			
	LIPPOPERIOR	1.403.674	•	3,378,343			

CITY OF HAWARDEN, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

				F	Program Revenues				
					Op	erating	С	apital	
			Ch	arges for	Gra	nts and	Gra	ints and	
Functions/Programs	E	xpenses		ervices	Cont	ributions	Cont	ributions	
						•			
Primary Government:									
Governmental Activities:					_		_		
Public Safety	\$	522,847	\$	169,871	\$	-	\$	-	
Public Works		501,759		21,085		-		31	
Health and Social Services		262,592		-		-		<u>-</u> '	
Culture and Recreation		520,230		77,968		50,977		33,012	
Community and Economic Development		508,572		-		-		58,707	
General Government		148,159		21,715		-		-	
Capital Projects		26,767		50,226		-		-	
Interest Expense		87,277		<u>-</u>					
Total governmental activities	-	2,578,203		340,865		50,977		91,750	
Business-Type Activities:		004.040		200 224					
Water Utility		361,918		260,324					
WasteWater Treatment Utility		333,935		216,570					
Electric Utility		1,869,853		2,185,097					
Gas Utility		1,574,957		1,629,451					
Solid Waste Utility		161,551		166,491					
Telephone Utility		755,841		834,193					
Cable/Internet Utility		360,997		420,938	-				
Total Business-Type Activities:		5,419,052		5,713,064				-	
Total Primary Government	\$	7,997,255	\$	6,053,929	\$	50,977	\$	91,750	
Component Unit:									
Hawarden Community Hospital	\$	5,406,738	\$	5,342,524	\$	170	\$	64,860	

General Revenues:

Property taxes
Local Option Sales Tax
Transfer of LOST Funds From City
Interest
General Intergovernmental Revenues
Sale of Fixed Assets
Sale of Uncapitalized Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

		Net (Expense) Revenue d Changes in Net Asse		
	Governmental Activities	Business-Type Activities	Total	Component Unit Hawarden Comm. Hospital
\$	(352,976) (480,643) (262,592) (358,273) (449,865) (126,444) 23,459 (87,277) (2,094,611)		\$ (352,976) (480,643) (262,592) (358,273) (449,865) (126,444) 23,459 (87,277) (2,094,611)	
_		\$ (101,594) (117,365) 315,244 54,494 4,940 78,352 59,941 294,012	(101,594) (117,365) 315,244 54,494 4,940 78,352 59,941 294,012	
	(2,094,611)	294,012	(1,800,599)	
				\$ 816
	923,401 261,297 74,681 212,327 63,991 7,164 18,097 296,500 1,857,458 (237,153)	143,839 - 15,609 (296,500) (137,052) 156,960	923,401 261,297 218,520 212,327 63,991 7,164 33,706 	264,435 29,747 - - - - - - - - - - - - - - - - - -
-\$	9,349,263 9,112,110	4,843,844 \$ 5,000,804	14,193,107 \$ 14,112,914	2,447,749 \$ 2,742,747

CITY OF HAWARDEN, IOWA BALANCE SHEET Governmental Funds JUNE 30, 2008

	(General	TIF
Assets			
Cash and Cash Equivalents	\$	175,677	\$ 227,091
Receivables (Net, where applicable, of allowance			
for uncollectibles)			
Accounts		41,880	-
Taxes		8,508	2,447
Subsequent Year Taxes		344,598	447,640
Accrued Interest		-	-
Special Assessments		762	-
Pledges Receivable		-	-
Notes Receivable		-	-
Due from Other Funds		138,455	-
Due from Other Governmental Agencies			-
Prepaid Assets		47,820	-
Restricted Assets:			
Donor Restricted Investments			
Total Assets	_	757,700	 677,178
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable		33,621	15,509
Accounts Payable to Discretely Presented Component Unit		-	-
Accrued Wages and Compensated Absences		20,640	-
Accrued Expenses		377	-
Due to Other Funds		-	-
Notes Payable		-	-
Unearned Revenue		1,738	-
Deferred Revenue - Subsequent Year Taxes		344,598	447,640
Advance from Other Funds		-	490,897
Total Liabilities		400,974	 954,046
Fund Balances:			
Reserved for:			
Debt Service		-	-
Library Endowment		-	-
Prepaid Items		47,820	-
Unreserved for:			
General Fund		308,906	
Special Revenue Fund		-	(276,868)
Capital Project Fund		-	_
Capital i Toject i unu			
Total Fund Balances		356,726	(276,868)

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 44,576	5 \$ 531,961	\$ 979,305
1,669		41,880 15,225
93,355	5 128,544 - 487 	1,014,137 487 762
145,916	- 22,500 	22,500 145,916 138,455
	57,407 	57,407 47,820
285,516	- 135,934 8 879,434	135,934 2,599,828
	- 1,200 - 40,410	50,330 40,410 20,640
445.04	- - 21,801	377 21,801 145,916
145,916 93,35	- 10,000	11,738 1,014,137
239,27	1 201,955	490,897 1,796,246
46.04	-	46 245
. 46,24	- 163,019 	46,245 163,019 47,820
	- 38,061 - 476,399	308,906 (238,807) 476,399
\$ 285,51	5 677,479	803,582

CITY OF HAWARDEN, IOWA RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS June 30, 2008

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 803,582
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,992,267
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net assets.	1,470,761
Deferred revenues that provide current financial resources for governmental activities	11,738
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(14,513)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	11,000
Accrued compensated absences not reported on the modified accrual basis.	(31,211)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	 (1,131,514)
Total Net Assets - Governmental Activities (page 14)	\$ 9,112,110

CITY OF HAWARDEN, IOWA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Governmental Funds For the Year Ended June 30, 2008

	C	General	TIF	Debt Service
Revenue:				
Taxes ·	\$	332,485 \$	380,344 \$	92,609
Special Assessments		202	-	-
Licenses and Permits		21,715	-	-
Intergovernmental Revenue		56,923	3,708	-
Charges for Services		209,221	-	-
Fines and Forfeits		10,008	-	-
Contributions		10,517	-	-
Refunds/Reimbursements		10,790	-	-
Rental Income		26,836	-	-
Interest		13,222	-	8,770
Miscellaneous		6,647	-	-
Total Revenue		698,566	384,052	101,379
Face and differences				
Expenditures:		493,829		_
Public Safety			-	- -
Public Works		318,041	-	•
Health and Social Services		440 400	-	-
Culture and Recreation		442,126	- 60 405	-
Community and Economic Development		41,917	68,425	-
General Government		140,581	-	-
Capital Projects		-	372,774	400 070
Debt Service		1 100 101	29,668	196,273
Total Expenditures	·	1,436,494	470,867	196,273
Excess (deficiency) of revenues over expenditures		(737,928)	(86,815)	(94,894)
Other financing sources (uses):				
Proceeds from Sale of Assets		1,343	55,000	-
Transfers In		588,015	-	97,349
Transfers Out		(12,600)	(122,849)	-
Total other financing sources (uses)		576,758	(67,849)	97,349
Net Change in Fund Balance		(161,170)	(154,664)	2,455
Fund balances-(Deficits)- beginning of year		517,896	(122,204)	43,790
Fund balances (Deficits)- end of year	\$	356,726 \$	(276,868) \$	46,245

Gov	Other ernmental Funds	Go	Total overnmental Funds
\$	121,422	\$	926,860
	-		202
	· -		21,715
	478,624		539,255
	´ -		209,221
	-		10,008
	40,260		50,777
	7,306		18,096
	24.047		26,836
	24,947		46,939 6,647
	672,559		1,856,556
	15,773		509,602
	32,000		350,041
	261,297		261,297
	5,631		447,757
	-		110,342
	-		140,581
	70,568		443,342
	-		225,941
	385,269		2,488,903
	287,290		(632,347)
	_		56,343
	46,600		731,964
	(300,015)		(435,464)
	(253,415)		352,843
	33,875		(279,504)
	643,604		1,083,086
\$	677,479	\$	803,582

CITY OF HAWARDEN, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Amounts reported for government	al activities in the statement of	activities are different because:
---------------------------------	-----------------------------------	-----------------------------------

Amounts reported for governmental activities in the statement of activities are different because.			
Net change in fund balances - total governmental funds (page 21)	•	\$	(279,504)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives ar reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:			
Expenditures for capital assets Depreciation expense	\$ 434,230 (260,688)	٠	173,542
Depreciation expense	(200,000)		170,042
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the			
statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	e ,		(398,230)
Revenues reported in the funds that are not available to provide current financial resources			(16,130)
Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.			55,000
Accrued interest expense that does not require current financial resources			(234)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:			(3,276)
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.			92,780
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	i		(1,587)
The repayment of the principal of bonded long-term debt consumes the current financial resource of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	ot .		140,486
Change in net assets of governmental activities (page 16)		\$	(237,153)
Change in het assets of governmental activities (page 10)		=	(==:,:==)

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF NET ASSETS Proprietary Funds June 30, 2008

		Bu	sines	····		
		Water		aste Water reatment		Electric
		Utility		Utility		Utility
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$	1,240	\$	1,488	\$	120,084
Receivables (Net, where applicable, of allowance for	·	•		·		
uncollectibles)						
Accounts		14,917		13,439		48,016
Accrued Interest		,,,,,,		4,414		5,945
Estimated Unbilled Usage		17,746		11,455		132,039
Special Assessments		1,545		-		-
Due from Other Funds		,				210,395
Investment in Joint Venture		_		_		832,865
Advances to Other Funds		_		181,154		260,743
Inventories		21,941		101,104		213,728
		3,876		3,258		18,176
Prepaid Assets		3,070		3,230		10,170
Non-Current Assets:						
Restricted Assets:		262 112		477 200		230,763
Cash and Cash Equivalents- Council Restricted Plant Replacement Cash and Cash Equivalents - Bond Reserve		363,112		477,399		373,323
Customer Deposits		_		_		-
Bond Issue Costs		_		_		31,917
Land		33,873		130		
Construction in Progress		11,877		20,970		106,429
Infrastructure, Property and Equipment, Net		,				
of Accumulated Depreciation		731,877		405,412		1,097,154
Total Assets		1,202,004		1,119,119		3,681,577
LIABILITIES						
Current Liabilities:						
Accounts Payable		26,906		17,281		86,796
Accrued Wages		1,057		806		4,864
Accrued Expenses		551		-		2,781
Due to Other Funds		62,690		61,288		144,899
Due to Other Governments		· -				-
Accrued Postclosure Costs		-		-	:	-
Unearned Revenue		1,382		-		_
Payables from Restricted Assets:		•				
Customer Deposits		-		-		-
Accrued Revenue Bond Interest		-		-		7,740
Revenue Bonds - Current		-		-		265,000
Noncurrent Liabilities:						
Due within one year:						
Compensated Absences and Benefits		313		164		1,351
Due in more than one year:						
Revenue Bonds Payable				-		2,170,000
Compensated Absences and Benefits, Long-Term		2,817		1,473		12,160
Total Liabilities		95,716		81,012		2,695,591
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt		777,627		426,512		(1,199,500
Restricted for:				, -		,
Revenue Bonds		-		-		365,583
		_		-		832,865
Investment in Joint Venture		-				
Investment in Joint Venture Unrestricted		328,661		611,595		987,038

Governmenta	Business Type Activities									
Activities Internal Service	Total			Solid Waste Telephone Cable/Internet Utility Utility Utility				Gas Utility		
					, ,				<u> </u>	
\$ 277,92	463,483	\$	52,054	\$	214,558	\$	73,423	\$	636	\$
	175,865		5,225		31,447		12,796		50,025	
	10,359 210,388		-		-		- 8,404		40,744	
44.04	1,545		-		-		-		-	
11,64	343,645		•		-		-		133,250	
	866,641 490,897		•		49,000		33,776		-	
	409,912		22,174		116,012		_		36,057	
	40,339		2,885		4,844		2,250		5,050	
550,00	2,033,029		144,508		458,058		199,523		159,666	
	373,323		-		- - 400		-		- 27 540	
	42,663 31,917		-		5,123				37,540	
	56,094		-		-		22,085		6	
	139,276		-		-		-		-	
641,93	2,597,950		166,991		46,917		•		149,599	
1,481,50	8,287,326		393,837		925,959		352,257		612,573	-
10,74	238,989		21,457		37,400		11,457		37,692	
	12,021		803		2,535		-		1,956	
	4,497 471,948		627		-		5		533 203,071	
	35,540				35,540				200,071	
	4,760		-		-		4,760		-	
	1,382		•		-		-		-	
	42,663		-		5,123		-		37,540	
	7,740 265,000		-		-		•		•	
	200,000		-				_		-	
	3,198		237		703		-		430	
	2,170,000 28,784		0.400		- 6,330		-		2 070	
10,74	3,286,522		2,132 25,256		87,631		16,222		3,872 285,094	
					2, 1001		, o janeara			
641,93	390,237		166,991		46,917		22,085		149,605	
	365,583				-		_		-	
	866,641		-		-		33,776		-	
828,82	3,378,343		201,590		791,411		280,174		177,874	
\$ 1,470,76	5,000,804	\$	368,581	\$	838,328	\$	336,035	\$	327,479	\$

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS Proprietary Funds For the Year Ended June 30, 2008

	 Bu	sines	s Type Activit	ies	
			aste Water		
	Water	Т	reatment		Electric
	Utility		Utility		Utility
Operating Revenues:					
Charges for Services	\$ 260,324	\$	216,570	\$	2,185,097
Total Operating Revenue	260,324		216,570		2,185,097
Operating Expenses:					
Resale Purchases					1,030,836
Employee Services	66,691		49,864		151,260
Contract Services	90,186		128,377		151,095
Supplies	53,312		21,693		87,249
Repairs and Improvements	81,737		13,237		46,078
Utilities	15,672		59,684		
Miscellaneous	697		260		8,848
Depreciation	53,623		60,820		290,861
Amortization					3,718
Total Operating Expenses	 361,918		333,935		1,769,945
Operating Income (Loss)	(101,594)		(117,365)		415,152
Non-Operating Income (Expense):					
Interest Income	13,359		31,897		55,367
Sale of Uncapitalized Assets		١			
Gain on Sale of Fixed Assets	 				
Other Non-operating Revenues (Expenses)	6,938		2,051		2,463
Interest Expense					(99,908)
Total Non-Operating Income (Expenses)	 20,297		33,948		(42,078)
Income (Loss) before Contributions and Transfers	(81,297)		(83,417)		373,074
Transfers Out	(7,000)		(18,250)		(158,125)
Change in Net Assets	(88,297)		(101,667)		214,949
	,		1,139,774		771,037
Net Assets - Beginning	 1,194,585		1,135,114		
Net Assets - Ending	\$ 1,106,288	\$	1,038,107	\$	985,986

			Bus	siness	Type Activit	ies					vernmental
	Gas Utility	So	lid Waste Utility	Te	elephone Utility		le/Internet Utility		Total		Activities Internal Service
								•			224.425
\$	1,629,451		166,491	_\$	834,193	_\$	420,938 420,938	_\$_	5,713,064 5,713,064	_\$	204,495 204,495
	1,629,451		166,491		834,193		420,936		5,713,004		204,495
	1,258,885		141,495		310,040		196,722		2,937,978		
	103,882				72,366		52,392		496,455		
	140,410		18,751		305,359		55,796		889,974		
	18,340		160		5,724		22,177		208,655		
	25,845		1,000		10,347		18,065		196,309		
			145		12,819		4044		88,320		
	6,874				36,767		1,344		54,790		454,000
,	20,721				2,419		14,501		442,945		154,269
	1,574,957	-	161,551		755,841		360,997		3,718 5,319,144		154,269
	1,574,957		101,001		755,041		300,997		0,010,144		154,269
	54,494		4,940		78,352		59,941		393,920		50,226
	154		11,561		26,188		5,313		143,839 -		27,742 5,821
	3,342		411		(1,056)		1,460		15,609 (99,908)		8,991
	3,496		11,972		25,132		6,773		59,540		42,554
	<u> </u>		,		·						
	57,990		16,912		103,484		66,714		453,460		92,780
	(56,875)		(11,250)		(45,000)				(296,500)		
	1,115		5,662		58,484		66,714		156,960		92,780
	326,364		330,373		779,844		301,867		4,843,844		1,377,981
\$	327,479	\$	336,035	\$	838,328	\$	368,581	_\$_	5,000,804	\$	1,470,761

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF CASH FLOWS Proprietary Funds For the Year Ended June 30, 2008

	 Bu	Type Activit	ies	
	14/-4	 ste Water		Electric
	Water Utility	 reatment Utility		Utility
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 267,160	\$ 221,041	\$	2,164,980
Cash Received from Interfund Services Provided				
Cash Paid to Suppliers for Goods and Services	(205,579)	(203,646)		(1,296,607)
Cash Paid to Employees for Services	(65,806)	(49,439)		(146,965)
Cash Paid for Interfund Services Provided	(6,536)	(6,667)		(35,067)
Other Nonoperating Income	6,938	2,051		15,266
Net Cash Provided (Used) by Operating Activities	(3,823)	 (36,660)		701,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
ACTIVITIES: Acquisition and Construction of Capital Assets	(11,877)	(57,666)		(106,430)
Proceeds from Sales of Fixed Assets	(11,077)	(37,000)		(100,430)
Special Assessment Receipts	(163)			
Principal Paid on Notes and Bonds	(103)			(260,000)
Interest Paid on Notes and Bonds				(100,547)
Net Cash (Used) by Capital and Related Financing Activities	 (12,040)	 (57,666)		(466,977)
Not Oash (Osed) by Oapital and Notated I marising / totalide	 (12,0-10)	 (07,000)		(100,011)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers to Other Funds	(7,000)	(18,250)		(158,125)
Advances From (To) Other Funds	(1,000)	9.658		(20,776)
Due From (To) Other Funds	(8,317)	61,288		(203,071)
Net Cash Provided (Used) for Non-Capital Financing Activities	 (15,317)	 52,696		(381,972)
Net Cash Frontied (Osed) for Non-Capital Financing Activities	 (13,317)	 32,090		(301,312)
CASH FLOWS FROM INVESTING ACTIVITIES:	•			
Proceeds from Sale of Investment Securities				
Interest and Dividends on Investments	 16,720	 31,516		59,817
Net Cash Provided for Investing Activities	 16,720	 31,516		59,817
Net Increase (Decrease) in Cash and Cash Equivalents	(14,460)	(10,114)		(87,525)
Cash and Cash Equivalents at Beginning of Year	378,812	 489,001		811,695
Cash and Cash Equivalents at End of Year	\$ 364,352	\$ 478,887	_\$_	724,170

 		Bus	siness	Type Activiti	es					ernmental	
 Gas Utility				Telephone Cable/Internet Utility Utility Total				Total	Activities Internal Service		
\$ 1,611,083	\$	164,400	\$	844,461	\$	418,937	\$	5,692,062	œ.	204 405	
(1,433,941)		(160,387)		(667,782)		(272,356)		(4,240,298)	\$	204,495	
(101,937)		(1,000)		(71,652)		(51,663) (16,633)		(487,462) (84,195)			
(9,792) 3,342		(1,000) 411		(8,500) (1,056)		1,460		28,412			
 68,755		3,424		95,471		79,745		908,519		204,495	
 (8,823)				,		(9,933)		(194,729) - (163) (260,000) (100,547)		(91,837) 14,812	
 (8,823)						(9,933)		(555,439)		(77,025)	
(56,875) (1,186)		(11,250)		(45,000) (49,000)		(1,321)		(296,500) (60,118) (152,607)			
 (58,061)		(11,250)		(94,000)		(1,321)		(509,225)			
040		200,000		112,000		5,313		312,000 159,101		33,792	
 210		14,766		30,759		5,515		139,101		00,702	
 210		214,766		142,759		5,313		471,101		33,792	
2,081		206,940		144,230		73,804		314,956		161,262	
 195,761	•	66,006		533,509		122,758		2,597,542		666,663	
\$ 197,842	\$	272,946	\$	677,739	\$	196,562	\$	2,912,498	\$	827,925.	

(Continued)

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF CASH FLOWS (Continued) Proprietary Funds For the Year Ended June 30, 2008

		Bu	Type Activit	ies	
	Water Utility		 iste Water reatment Utility	Electric Utility	
Reconciliation of Operating Income (Loss) to Net					
Cash Provided by Operating Activities					
Operating Income (Loss)	_\$	(101,594)	\$ (117,365)	\$	415,152
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Amortization		53,623	60,820		290,861 3,718
Miscellaneous Non-Operating Income (Increase) Decrease in Assets:		6,938	2,051		15,266
Accounts Receivable		6,747	3,756		124
Estimated Unbilled Usage		89	715		(20,241
Inventories		7,134			4,839
Prepaid Expenses		37	(170)		336
Increase (Decrease) in Liabilities					
Accounts Payable		22,435	13,133		(13,377
Accrued Wages		286	148		971
Accrued Compensated Absences		599	280		3,324
Due To Other Governments					
Accrued Expenses		(117)	(28)		634
Customer Deposits					
Total Adjustments		97,771	80,705	-	286,455
Net Cash Provided (Used) by Operating Activities	\$	(3,823)	\$ (36,660)	\$	701,607
Reconciliation of Cash and Cash Equivalents					
to the Balance Sheet:					
Cash and Cash Equivalents	\$	1,240	\$ 1,488	\$	120,084
Customer Deposits Restricted Cash and Cash Equivalents		363,112	477,399		604,086
restricted Gasii and Gasii Equivalents	-\$	364,352	\$ 478,887	\$	724,170

Business Type Activities						Governmental					
	Gas Utility		Solid Waste Utility		Telephone Utility		Cable/Internet Utility		Total	- 1	nternal Service
\$	54,494	\$	4,940	_\$	78,352	\$	59,941	\$	393,920	\$	50,226
	20,721				2,419		14,501		442,945 3,718		154,269
	3,342		411		(1,056)		1,460		28,412		
	(7,082) (13,218) (1,558) (237)		(1,989) (102)		11,396 (5,346) (45)		(2,001) 2,207 (55)		10,951 (32,757) 7,276 (134)		
	9,214 524 1,421		844		9,443 465 249 722		2,684 72 657		44,376 2,466 6,530 722		
	(798) 1,932		(680)		(1,128)		279		(710) 804		
	14,261		(1,516)		17,119		19,804		514,599		154,269
\$	68,755	\$	3,424	\$	95,471	\$	79,745	\$	908,519	\$	204,495
\$	636	\$	73,423	\$	214,558	\$	52,054	\$	463,483	\$	277,925
	37,540 159,666		- 199,523		5,123 458,058		- 144,508		42,663 2,406,352		- 550,000
\$	197,842	\$	272,946	\$	677,739	\$	196,562	\$	2,912,498	\$	827,925

CITY OF HAWARDEN, IOWA STATEMENT OF FIDUCIARY NET ASSETS Fiduciary Funds June 30, 2008

		ion Trust und				
	Police Retirement Fund			Agency Funds	Total	
ASSETS						
Cash and Pooled Investments	_\$	2,862	\$	32,247 \$	35,109	
Total Assets	, 	2,862		32,247	35,109	
LIABILITIES						
Accounts Payable Due to Other Governments		228		250 31,997	478 31,997	
Total Liabilities		228		32,247	32,475	
NET ASSETS		•				
Held in Trust for Pension Benefits		2,634		-	2,634	
Total Net Assets	\$	2,634	\$	- \$	2,634	

CITY OF HAWARDEN, IOWA STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Fiduciary Funds For the Year Ended June 30, 2008

	Pension Trust Fund Police Retirement Fund			
ADDITIONS				
Contributions:				
Employer	\$ 15,773			
Total Contributions	15,773			
Investment Income:				
Interest, Dividends and Market Gain	29			
Net Investment Income	29			
Total Additions	15,802			
DEDUCTIONS				
Pension Benefits	11,635			
Administrative Costs	600			
Total Deductions	12,235			
Net Increase	3,567			
Net Assets (Deficit)- Beginning of Period	(933)			
Net Assets End of Period	\$ 2,634			

CITY OF HAWARDEN, IOWA Notes to Financial Statements June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

A. Reporting Entity

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

<u>Discretely Presented Component Unit</u> – The Hawarden Community Hospital (Hospital) is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for as a Proprietary Fund in these financial statements. Complete financial statements are on file at the hospital.

<u>Jointly Governed Organizations</u> – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Special Revenue Tax Increment Financing Revenues Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing are to provide the revenues for the debt services payments.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Solid Waste Fund accounts for the collection and disposal of solid waste. The services are performed by a private contractor. The City is responsible for the billing and collection of the customers' accounts and payments to the contractor.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system providing cable/internet services to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

 Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following FASB pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

<u>Pooled Cash, Investments and Cash Equivalents</u> – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

<u>Property Tax Receivable, Including Tax Increment Financing</u> – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2007.

<u>Customer Accounts and Unbilled Usage</u> – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$10,100 and \$11,440 at June 30, 2008 and 2007, respectively. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$333,147 and \$190,784 at June 30, 2008 and 2007, respectively.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>Due From Other Governments</u> – Due from other governments represents amounts due from the State of Iowa.

<u>Internal Balances</u> – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

<u>Advances From and To Other Funds</u> – Advances are long-term borrowings between funds which are repaid over time plus interest.

<u>Inventories</u> – Inventories are valued at the lower of cost (first-in, first-out) or market. Governmental Fund Type inventories of expendable supplies held for consumption are recorded as an expenditure at the time of purchase and are not recorded on the combined balance sheet because the amounts are not material. Inventories in the Enterprise Funds, consisting of material and supplies, are reported as an expense when consumed.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended. It is the City's policy to first apply unrestricted resources when an expense is incurred for purposes for which either are available.

<u>Capital Assets</u> – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

Asset Class	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

	Estimated
	Useful Lives
Asset Class	<u>(In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>Deferred Revenue</u> – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of notes receivable not currently due, as well as delinquent property tax receivable and special assessments not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and grant funds received but not yet earned or expended.

<u>Compensated Absences</u> — City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

<u>Long-Term Liabilities</u> – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

<u>Fund Equity</u> – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

<u>Budgets and Budgetary Accounting</u> – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2008 exceeded amounts budgeted in Health and Social Services and business-type activities.

Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS

The City deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 2 POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS – (Continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2008.

At June 30, 2008 the City had the following investments:

	Credit Risk	Fair Value
U.S. Treasury Notes	N/A	\$ 20,000
Reconciliation of Investments: Restricted: U.S. Treasury Notes Certificates of Deposit		\$ 20,000

Note 3 - JOINT VENTURES

<u>MBMECA</u> - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest lowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

Note 3 - JOINT VENTURES - (Continued)

Summary financial information of the joint venture for the year ended December 31, 2007 follows:

	Total	Ф	City Share
Assets	\$ 7,919,603	<u>\$</u>	930,553
Liabilities	574,215		67,470
Equity	7,345,389		863,083
	7,919,603		930,553
Revenues	1,153,708		135,561
Expenses	1,207,602		141,893
Net Decrease in Equity	\$ (53,894)	\$	(6,332)

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government		Balance July 1, 2007	Ir	ncreases	De	creases	Balance June 30, 2008			
Governmental Activities:		2001		10160363	De	Cleases		2000		
Capital assets not being depreciated:										
Land	\$	473,625	\$	-	\$	15,750	\$	457,875		
Construction in Progress-infrastructure	•	19,750	·	-	·	19,750	·	,		
Total capital assets not being depreciated		493,375		-		35,500		457,875		
Capital assets being depreciated:										
Buildings		5,703,065		90,718		680,633		5,113,150		
Improvements other than buildings		1,329,768		81,591				1,411,359		
Equipment and vehicles		2,488,080		114,642,		62,994	:	2,539,728		
Infrastructure, road network		4,422,703		324,612			4	4,747,315		
Total capital assets being depreciated		13,943,616		611,563		743,627	1:	3,811,552		
Less: Accumulated Depreciation for:										
Buildings		2,213,786		109,324		298,153	:	2,024,957		
Improvements other than buildings		547,218		40,370				587,588		
Equipment and vehicles		1,618,262		181,090		62,994		1,736,358		
Infrastructure, road network		1,202,152		84,173				1,286,325		
Total Accumulated Depreciation		5,581,418		414,957	361,147		5,635,228			
Total capital assets being depreciated, net		8,362,198		196,606		382,480		8,176,324		
Governmental activities capital assets, net	\$	8,855,573	\$	196,606	\$	417,980	\$	8,634,199		
Business-Type Activities:										
Capital assets not being depreciated:										
Land	\$	56,094	\$	-	\$	-		56,094		
Construction in Progress		-		139,276		-		139,276		
Total capital assets not being depreciated		56,094		139,276		-		195,370		
Capital assets being depreciated:										
Buildings		102,703		-		-		102,703		
Utility Plant		12,257,440		55,452				12,312,892		
Total capital assets being depreciated		12,360,143		55,452		-		12,415,595		
Less: Accumulated Depreciation for:										
Buildings		82,349		2,795		-		85,144		
Utility Plant		9,292,351		440,150		-		9,732,501		
Total Accumulated Depreciation		9,374,700		442,945				9,817,645		
Total capital assets being depreciated, net		3,285,001		(387,496)		-		2,597,950		
Business-Type activities capital assets, net	\$	3,341,095	\$	(248,220)	\$	-		2,793,320		

Note 4 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Public Safety	\$ 23,730
Public Works	151,564
Health & Social Services	1,295
Culture & Recreation	77,969
General Government	160,399
Total depreciation expense – governmental activities	\$ 414,957

The governmental depreciation expense amount shown above includes \$154,269 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type A	ctivities:
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Water	\$ 53,623
Wastewater	60,820
Electric	290,861
Gas	20,721
Cable/Internet	14,501
Telephone	2,419
Total depreciation expense – business type activities	\$ 442,945

Discretely presented component unit		3alance ly 1, 2007	Inc	reases	Decreases		Balance June 30, 2008		
Capital assets not being depreciated: Land	\$ 7,000		\$	_	\$	_	\$	7,000	
Construction-in-Progress	,	44,222	·	15,329	·	-	,	59,551	
		51,222		15,329		-		66,551	
Capital assets being depreciated:									
Land Improvements	28,089 13,200 -						41,289		
Hospital		1,505,606		41,315		-		1,546,921	
Fixed Equipment		513,619		-	-			513,619	
Major Moveable Equipment		1,648,593	237,316 22		224,331		1,661,578		
Total capital assets being depreciated		3,695,907		291,831		224,331		3,763,407	
Less: Accumulated Depreciation for:								r	
Land Improvements		26,406		1,708		-		28,114	
Hospital		948,504		48,290		-		996,794	
Fixed Equipment		371,443		14,224		-		385,667	
Major Moveable Equipment		1,088,116		170,619		224,331		1,034,404	
Total Accumulated Depreciation		2,434,469		234,841		224,331		2,444,979	
Total capital assets being depreciated, net		1,261,438		56,990		_		1,318,428	
Total capital assets, net	\$	1,312,660	\$	72,319	\$	-	\$	1,384,979	
Total depreciation expense – discretely prese	ented	component ur	nit				\$	234,841	

Note 4 - CAPITAL ASSETS - (Continued)

Reconciliation of Invested In Capital Assets, net of related debt.

	 vernmental Activities	siness-Type Activities	Component Unit		
Land Bond Issue Costs Construction-in-Progress Capital Assets (net of accumulated depreciation)	\$ 457,875 11,000 - 8,176,324	\$ 56,094 31,917 - 2,737,226	\$	7,000 - 59,551 1,318,428	
Less: General Obligation Bonds Payable Notes Payable Revenue Bonds	 1,131,514	 2,435,000		453,835	
	\$ 7,513,685	\$ 390,237	\$	931,144	

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008 is a follows:

	_	Balance July 1, 2007	1	Balance June 30, Increases Decreases 2008			June 30,			Due Within ne Year
Governmental activities: Compensated Absences General obligation bonds/notes	\$	27,935 1,272,000	\$	32,180	\$	28,904 140,486	\$ 31,211 1,131,514	\$ 3,121 148,000		
-	\$	1,299,935	\$	32,180	\$	169,930	\$ 1,162,725	\$ 151,121		

Unaccreted premium at June 30, 2008 on bonds sold at premium totaled \$3,631.

	Balance July 1, 2007	ln	creases	De	creases	Balance June 30, 2008	Due Within ne Year
Business type activities: Revenue notes Compensated Absences	\$ 2,695,000 25,452	\$	- 29,458	\$	260,000 22,928	\$ 2,435,000 31,982	\$ 265,000 3,198
	\$ 2,720,452	\$	29,458	\$	282,928	\$ 2,466,982	\$ 268,198
	 Balance July 1, 2007	ln	creases	De	ecreases	Balance June 30, 2008	Due Within ne Year
Component unit: Bank Notes	\$ 348,698	\$	200,000	\$	94,863	\$ 453,835	\$ 111,565

Note 5 - CHANGES IN LONG-TERM LIABILITIES - (Continued)

General Obligation Bonds/Notes

Two issues of unmatured general obligation bonds/notes, totaling \$1,131,514 are outstanding at June 30, 2008. General obligation bonds/notes bear interest at rates ranging from 2.0-4.05% and mature in varying annual amounts, ranging from \$60,000 to \$95,000, with the final maturities due in the year ending June 1, 2018.

Details of general obligation bonds/notes payable at June 30, 2008 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	tstanding e 30, 2008
General obligation bonds/notes: Capital Loan Notes General corporate purpose and refunding	June 14, 2007 May 1, 2003	4.05% 2.0-4.0%	June 1, 2012 June 1, 2018	80,000-93,000 50,000-95,000	432,000 1,060,000	\$ 351,514 780,000
Ū					;	\$ 1,131,514

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending			
June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 148,000	\$ 42,311	\$ 190,311
2010	151,000	36,837	187,837
2011	160,000	31,242	191,242
2012	167,514	25,321	192,835
2013	75,000	19,005	94,005
2014-2018	430,000	51,530	481,5 <u>30</u>
Total	\$ 1,131,514	\$ 206,246	\$ 1,337,760

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	Type of Account	В	equired alance e 30, 2008	I	Actual Balance e 30, 2008
Electric Electric Electric	Electric Revenue Sinking Fund Bond and Interest Reserve Bond Improvement	\$	29,823 243,500 100,000	\$	29,823 243,500 100,000

These amounts are classified as restricted assets on the combined balance sheet.

Note 5 - CHANGES IN LONG-TERM LIABILITIES - (Continued)

Details of revenue notes payable at June 30, 2008 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2008
Revenue Notes: Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	2,945,000	\$ 2,435,000

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 265,000	\$ 92,877	\$ 357,877
2010	275,000	84,662	359,662
2011	285,000	75,312	360,312
2012	295,000	65,053	360,053
2013	310,000	53,843	363,843
2014-2016	1,005,000	85,756	1,090,756
Total	\$ 2,435,000	\$ 457,503	\$ 2,892,503

Bank Loans:

In FY02, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City will make payments on this loan at the same terms as the Wee Care schedule of payments to the City as scheduled in Note 11.

Component Unit:

In May 2005, the Hospital took out a note from Farmers State Bank in Hawarden for \$21,500 to be used for the purchase of property and equipment. The note has an interest rate of 5.0% and will be repaid over three years in monthly installments of \$644, beginning June 11, 2005.

In July 2006, the Hospital took out a note from Farmers State Bank in Hawarden for \$172,000 to be used for the purchase of property and equipment. This note has an interest rate of 6.0% and will be repaid over five years in monthly installments of \$3,326, beginning August 28, 2006.

In December 2006, the Hospital took out a note from First State Bank in Hawarden for \$135,000 to be used for the purchase of property and equipment. This note has an interest rate of 5.95% and will be repaid over five years in monthly installments of \$2,611, beginning January 10, 2007.

In May 2007, the Hospital took out a note from Farmers State Bank in Hawarden for \$74,184 for the purchase of property and equipment. This note has an interest rate of 5.75% and will be repaid over five years in monthly installments of \$1,426, beginning July 1, 2007.

In December 2007, the Hospital took out a note from Peoples Bank in Hawarden for \$200,000 for the purchase of property and equipment. This note has an interest rate of 4.49% and will be repaid over five years in monthly installments of \$3,728, beginning January 5, 2008.

Note 5 - CHANGES IN LONG-TERM LIABILITIES - (Continued)

Annual debt service requirements related to the Notes are as follows:

Year	Principal	Interest	Т	otal
2009	\$ 111,565	\$ 21,527	\$	133,092
2010	117,804	15,287		133,091
2011	124,398	8,694		133,092
2012	77,990	2,851		80,841
2013	22,078 \$ 453,835	291 \$ 48,650	\$	22,369 502,485

A summary of interest expense on borrowed funds during the year ended June 30, 2008:

2008 Interest cost expense \$ 23,856

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	<u>Amount</u>
General	Special Revenue: Road Use Tax Employee Benefit Levy Tax Increment Financing Revenues Capital Projects	\$ 175,000 105,015 25,500
	Contingency Fund Enterprise	20,000
	Electric	148,125
	Gas	46,875
	Telephone	45,000
	Solid Waste	11,250
	Wastewater	11,250 588,015
Debt Service	Special Revenue:	300,019
Debt Service	Tax Increment Financing Revenues	97,349
	Tax more manaring marting	97,349
Capital Projects	General Enterprise:	12,600
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		46,600
Total Governmental Transfers		\$731,964

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

Note 7 - INTERFUND RECEIVABLES/PAYABLES

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2008, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	<u>Payable Fund</u>	<u>Ar</u>	<u>nount</u>
General ·	Enterprise: Wastewater Water Capital Projects	\$	61,288 55,366 21,801 138,455
Enterprise: Gas Electric Electric Internal Service: Capital Equipment	Enterprise: Electric Water Gas Enterprise: Electric	\$	133,250 7,324 203,071 11,649 493,749

The detail of long-term advances to and from other funds at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	<u> </u>	Amount
Enterprise: Electric Wastewater Telephone	Special Revenue: Tax Increment Financing Tax Increment Financing Tax Increment Financing	\$	260,743 181,154 49,000
·	-	\$	490,897

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a costsharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS - (Continued)

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll except for police employees, in which case the percentages are 5.64% and 8.47%, respectively.

Contribution requirements are established by state statute. The City contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$70,778, \$64,769 and \$64,350, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2008, 2007, and 2006, respectively, \$99,174, \$99,136, and \$93,959. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$202,394.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2008.

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$20,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$106,700.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$15,773 as required by the pay-as-you-go method of funding. This \$15,773 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2008</u>	June 30, <u>2007</u>	June 30, <u>2006</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

Note 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2007-08 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

Note 10 - POSTCLOSURE COSTS

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$4,760 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2008. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

Note 11 - NOTES RECEIVABLE

In fiscal year 2002, the City advance Wee Care Child Care \$180,000 for improvements to leased portion of community center. The note bears interest at 5.85% with payments as follows:

Fiscal Year	<u>Pr</u>	incipal
2009	\$	6,942
2010		7,359
2011		7,801
2012		8,251
2013		8,766
2014-2018		52,379
2019-2022		54,418
Total Note Receivable	\$	145,916

Note 12 - RELATED PARTY TRANSACTIONS

Hawarden Mercy Medical Clinic

Effective January 1, 2005, the Hospital and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Community Clinic, LLC. (HCC). The Hospital and MMS share equally in the net income (loss) of HCC. The Hospital's share of HCC's 2008 and 2007 (from January 1 through June 30) operating loss was \$104,385 and \$40,674, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes is net assets.

The Hospital hires the employees of HCC and leases them back to HCC. Amounts received by the Hospital for expenses paid in 2008 and 2007 was \$306,068 and \$301,915, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from HCC totaling \$40,000 in 2008 and 2007.

In addition, the Hospital receives monthly rent from the clinic with rental income totaling \$27,600 for the years ended June 30, 2007 and 2006, respectively, and is included in other revenue.

HCC owed the Hospital \$153,190 and \$279,596 at June 30, 2008 and 2007, respectively. These amounts are recorded in due from related party on the balance sheets.

Ireton Community Clinic

Effective June 1, 2008, the Hospital and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's

Note 12 - RELATED PARTY TRANSACTIONS - (Continued)

share of ICC's 2008 operating loss was \$5,895, and is included in joint venture loss, net in the accompanying statements or revenue, expenses and changes in net assets.

The Hospital hires the employees if ICC and leases them back to ICC. Amounts received by the Hospital for expenses paid in 2007 was \$4,554, and is included in the accompanying statements of revenue, expenses and changes in net assets. There were no management fees related to the Ireton Community Clinic in FY2008. The Hospital has a management agreement with ICC that begins in July 2008.

In addition, the Hospital receives monthly rent from the clinic with rental income totaling \$27,600 for the years ended June 30, 2008 and 2007 and is included in other revenue.

Note 13 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Prepaid Items	Debt Service	Endowments/ Library	Total
General Fund	\$ 47,820			\$ 47,820
Debt Service		\$ 46,245		46,245
Permanent Fund Marie Gregg/Vipond Trust			\$ 163,019	163,019
Total Reserves of Fund Balances	\$ 47,820	\$ 46,245	\$ 163,019	\$ 257,084

Note 14 - LEASES WITH RELATED PARITES

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

Note 15 - DEFICIT FUND BALANCES

The City has two funds with deficit fund balances at June 30, 2008. The City intends to finance these deficits from tax increment property taxes and collection of pledges for the Heart of Hawarden Project.

The fund deficits are as follows:

TIF	\$ 2	76,868
Heart of Hawarden Project	\$	9,301

Note 16 - MAJOR CUSTOMERS

During the year ended June 30, 2008, charges for services provided by the waste water utility of the City to lowa Lamb Corp. was \$30,499, or 14% of total waste water charges for service. Charges for services provided by the water utility to lowa Lamb Corp. was \$57,572, or 22% of total water charges for service. Gas utility charges for services provided to lowa Lamb Corp. totaled \$268,342, or 16% of total gas charges for services.

Note 17 - SUBSEQUENT EVENT

In July 2008 the City approved issuance of \$500,000 of General Obligation Corporate Purpose Bonds for infrastructure construction and economic development funds for progress in connection with the industrial spec. building. The bonds shall bear interest at a rate of 4.75%.

lowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

- 1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 15, the budget is legally enacted through passage of a resolution.
- 4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	Original		5/2	5/28/08			mended
	E	Budget	Amer	ndment		E	Budget
Public Safety	\$	524,146	\$	10,000	_	\$	534,146
Public Works		316,433		40,000			356,433
Health and Social Services		225,000		35,000			260,000
Culture and Recreation		427,744		32,000			459,744
Community and Economic Development		116,500					116,500
General Government		124,081		25,000			149,081
Debt Service		170,858		91,500			262,358
Capital Projects		483,625					483,625
Business Type Activities	1	0,946,586				1	0,946,586
Transfer Out		788,288		20,000			808,288

- 5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
- 6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

	Governmental Fund Types	Proprietary Fund Types
Revenues:		
Property Taxes	\$ 926,860	-
Special Assessments	202	-
Licenses	21,715	-
Intergovernmental	539,255	-
Charges	209,221	\$ 5,917,559
Fines	10,008	-
Contributions	50,777	-
Refunds	18,096	-
Rental Income	26,836	-
Interest	46,939	171,581
Miscellaneous	6,647	15,609
Total Revenue	1,856,556	6,104,749
Expenditures:		
Public Safety	509,602	_
Public Works	350,041	-
Health and Social Services	261,297	-
Culture and Recreation	447,757	-
Community and Economic Development	110,342	_
General Government	140,581	_
Capital	443,342	-
Debt Service	225,941	-
Business Type Activities	-	5,573,321
Total Expenditures/Expenses	2,488,903	5,573,321
Excess (Deficiency) of Revenues Over Expenditures	(632,347)	531,428
Other Financing Sources (Uses):		
Transfers from Other Funds	731,964	_
Bond Proceeds	-	-
Proceeds from Asset Sales	56,343	14,812
Transfers to Other funds	(435,464)	(296,500)
Total Other Financing Sources (Uses)	352,843	(281,688)
Excess (Deficiency) of Revenues and Other Financing		
Sources Over Expenditures/Expenses and Other (Uses)	(279,504)	249,740
Fund Balance/Retained Earnings at Beginning of Year	1,083,086	6,221,825
Fund Balance/Retained Earnings at End of Year	\$ 803,582	\$ 6,471,565

Primary Government Total	Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance Favorable (Unfavorable)
\$ 926,860	_	\$ 926,860	\$ 914,692 \$ 914,692		\$ 12,168
202	_	202	325	325	(123)
21,715	_	21,715	20,775	20,775	940
539,255	264,435	803,690	497,454	532,454	271,236
6,126,780	5,342,524	11,469,304	11,958,138	11,958,138	(488,834)
10,008	-	10,008	-	-	10,008
50,777	64,860	115,637	-	-	115,637
18,096	, -	18,096	-	-	18,096
26,836	-	26,836	-	-	26,836
218,520	29,747	248,267	59,900	59,900	188,367
22,256	170	22,426	54,506	66,506	(44,080)
7,961,305	5,701,736	13,663,041	13,505,790	13,552,790	110,251
509,602	-	509,602	524,146	534,146	24,544
350,041	-	350,041	316,433	356,433	6,392
261,297	-	261,297	225,000	260,000	(1,297)
447,757	-	447,757	427,744	459,744	11,987
110,342	-	110,342	116,500	116,500	6,158
140,581	-	140,581	124,081	149,081	8,500
443,342	-	443,342	170,858	483,625	40,283
225,941	-	225,941	483,625	262,358	36,417
5,573,321	5,406,738	10,980,059	10,946,586	10,946,586	(33,473)
8,062,224	5,406,738	13,468,962	13,334,973	13,568,473	99,511
(100,919)	294,998	194,079	170,817	(15,683)	10,740
731,964		731,964	788,288	808,288	76,324
731,904	_	731,304	488,000	488,000	488,000
71,155	_	71,155			(71,155)
(731,964)	_	(731,964)	(788,288)	(808,288)	(76,324)
71,155		71,155	488,000	488,000	(71,155)
,					. (,)
(29,764)	294,998	265,234	658,617	472,317	(60,415)
7,304,911	2,447,749	9,752,660	9,104,183	9,104,183	
\$ 7,275,147	\$2,742,747	\$10,017,894	\$ 9,763,000	\$ 9,576,500	\$ (60,415)

CITY OF HAWARDEN, IOWA COMBINING BALANCE SHEET Governmental Nonmajor Funds JUNE 30, 2008

		Specia	ıl Re	evenue F	unds	Capital Projects			
	Road Use Tax		Employee Benefit Levy		Local Option Sales Tax	Capital Improve- ment		Heart of Hawarden Project	
Assets									
Cash and Cash Equivalents Receivables (Net, where applicable, of allowance for uncollectibles)	\$	13,258	\$	ŕ	\$ -	\$	4,507	\$	-
Taxes		-		2,601	· -		-		-
Subsequent Year Taxes		-	•	128,544	-		-		-
Accrued Interest		-		-	-		-		-
Pledges Receivable		-		-	-		-		22,500
Due from Other Governmental Agencies Restricted Assets: Donor Restricted Investments		16,997		-	40,410		-		_
Total Assets		30,255		136,350	40,410		4,507		22,500
Liabilities and Fund Balances Liabilities: Accounts Payable		-		_	·		. -		_
Accounts Payable to Discretely Presented Component Unit		_		_	40,410		-		
Due to Other Funds		_		_			-		21,801
Unearned Revenue		-		-	_		· <u>-</u>		10,000
Deferred Revenue - Subsequent Year Taxes		_		128,544	_		_		_
Total Liabilities		_		128,544	40,410		-		31,801
Fund Balances:									
Reserved for: Library Endowment		_		_	_		_		
Unreserved		30,255		7,806	-		4,507		(9,301
Total Fund Balances		30,255		7,806	_		4,507		(9,301
Total Liabilities and Equity	\$	30,255	\$	136,350	\$ 40,410	\$	4,507	\$	22,500

				Permanent							
В	lic Works uilding lacement	Capital Facilities Fund	Mapping	Contingency Fund]	ow-Mod Income Project	Ma	Fund arie Gregg/ Vipond Trust		Total vernmental lonmajor Funds
\$	147,007	\$ 63,593	\$ 54,699	\$	94,268	\$	122,826	\$	26,598	\$	531,961
	-	-	-		-				-		2,601
	-	-	-		-		-		-		128,544
	-	-	-		-		-		487		487
	-	-	-		-		-		-		22,500
	-	-	•		-		-		-		57,407
	_	_	_		_		_		135,934		135,934
	147,007	63,593	54,699	94,268			122,826		163,019		879,434
	1,200	_	-		_		-		-		1,200
	-	-	_		-		-		-		40,410
	-	-	-		-		-		-		21,801
	-	-	-		-		-		-		10,000
	-	• -	_		_=		-		-		128,544
	1,200	-	-				***		-		201,955
	- 145,807	- 63,593	- 54,699		- 94,268		- 122,826		163,019 -		163,019 514,460
	145,807	63,593	54,699		94,268		122,826		163,019		677,479
\$	147,007	\$ 63,593	\$ 54,699	\$	94,268	\$	122,826	\$	163,019	\$	879,434

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Governmental Nonmajor Funds

	Specia	I Revenue F		Capital I	Projects
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Capital Improve- ment	Heart of Hawarden Project
Revenue:					
Taxes	\$ -	\$ 121,422	\$ -	\$ -	\$ -
Intergovernmental Revenue	212,327	-	261,297	-	5,000
Contributions	-	-	-	29,950	8,025
Refunds/Reimbursements	-	-	-	7,306	-
Interest		_		525	
Total Revenue	212,327	121,422	261,297	37,781	13,025
Expenditures:					
Public Safety	-	15,773	-	-	-
Public Works	32,000	_	_	-	_
Health and Social Services	-	-	261,297	-	-
Culture and Recreation	-	_	-	-	-
Capital Projects	-	-		39,555	1,793
Total Expenditures	32,000	15,773	261,297	39,555	1,793
Excess (deficiency) of revenues over					
expenditures	180,327	105,649		(1,774)	11,232
Other financing sources (uses):	,				
Transfers In	-	-	-	_	-
Transfers Out	(175,000)	(105,015)	-	_	-
Total other financing sources (uses)	(175,000)	(105,015)	-	-	
Net Change in Fund Balance	5,327	634	-	(1,774)	11,232
Fund balances - beginning of year	24,928	7,172	-	6,281	(20,533)
Fund balances - end of year	\$ 30,255	\$ 7,806	\$ -	\$ 4,507	\$ (9,301)

			Capital Pro	jects	s		Permanent	
В	lic Works uilding lacement	Capital Facilities Fund	Mapping	Contingency Fund Project		Low-Mod Income Project	Fund Marie Gregg/ Vipond Trust	Total Governmental Nonmajor Funds
\$	_	\$ -	\$ -	\$	- (\$ -	\$ -	\$ 121,422
	-	· -	· -		-	_	-	478,624
	-	-	-		-	-	2,285	40,260
	-	-	-		-	-	-	7,306
	5,003	2,031	2,160		3,927	4,306	6,995	24,947
	5,003	2,031	2,160		3,927	4,306	9,280	672,559
	-	_	-		1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	-	-	15,773
	-	_			-	-	<u>-</u>	32,000
	-	-	-		-	-	-	261,297
	-	-	-		-	-	5,631	5,631
	10,400	580	1,240		<u>-</u>	17,000	-	70,568
	10,400	580	1,240		_	17,000	5,631	385,269
	(5,397)	1,451	920		3,927	(12,694)	3,649	287,290
	34,000	12,600	_		-	_	-	46,600
	-		-		(20,000)	_	· •	(300,015)
	34,000	12,600	_		(20,000)		-	(253,415)
	28,603	14,051	920		(16,073)	(12,694)	3,649	33,875
	117,204	49,542	53,779		110,341	135,520	159,370	643,604
\$	145,807	\$ 63,593	\$ 54,699	\$	94,268	\$ 122,826	\$ 163,019	\$ 677,479

CITY OF HAWARDEN, IOWA COMBINING STATEMENT OF NET ASSETS Fiduciary Funds JUNE 30, 2008

		ion Trust Fund		Agency Funds						
		Police		Payroll		Flex		mmunity		
	Retire	ment Fund	Clearing		Spending		Projects			Total
ASSETS										
Cash and Cash Equivalents	\$	2,862	\$	10,111	\$	3,388	\$	18,748	\$	35,109
Total Assets		2,862		10,111		3,388		18,748		35,109
LIABILITIES										
Accounts Payable		228		_		-		250		478
Due to Other Governments		-		10,111		3,388		18,498		31,997
Total Liabilities		228		10,111		3,388		18,748		32,475
NET ASSETS										
Unrestricted		2,634		-		-		-		2,634
Total Net Assets	\$	2,634	\$	-	\$	-	\$		\$	2,634

CITY OF HAWARDEN, IOWA Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2008

2007 Additions Deductions 2008 PAYROLL CLEARING Assets Cash and Cash Equivalents \$13,252 \$1,666,813 \$1,669,954 \$10,111 Total Assets 13,252 1,666,813 1,669,954 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Total Liabilities 13,252 1,666,813 1,669,954 10,111 Total Liabilities 3,232 24,114 23,958 3,388 Cash and Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Total Covernments 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 Community PROJECTS FUND Assets Total Assets 10,411 25,179 16,842 18,748 Total Assets 10,411			alance uly 1,					alance une 30,
Assets Cash and Cash Equivalents \$ 13,252 \$ 1,666,813 \$ 1,669,954 \$ 10,111 Total Assets 13,252 1,666,813 1,669,954 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Due to Other Governments 13,252 1,666,813 1,669,954 10,111 Total Liabilities Cash and Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Total Clabilities 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 Community Projects Fund Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,411 25,179 16,842 18,748 Liabilities 35 250			•	Additions	D	eductions		2008
Assets Cash and Cash Equivalents \$ 13,252 \$ 1,666,813 \$ 1,669,954 \$ 10,111 Total Assets 13,252 1,666,813 1,669,954 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Due to Other Governments 13,252 1,666,813 1,669,954 10,111 Total Liabilities Cash and Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Total Clabilities 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 Community Projects Fund Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,411 25,179 16,842 18,748 Liabilities 35 250	DAVDOLL CLEADING							
Cash and Cash Equivalents Total Assets \$ 13,252 \$ 1,666,813 \$ 1,669,954 \$ 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Total Liabilities 13,252 1,666,813 1,669,954 10,111 FLEX SPENDING Assets 2 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 <								
Total Assets 13,252 1,666,813 1,669,954 10,111 Liabilities 13,252 1,666,813 1,669,954 10,111 Total Liabilities 13,252 1,666,813 1,669,954 10,111 FLEX SPENDING Assets 3,232 24,114 23,958 3,388 Total Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Total Colombia 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 Community PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498		\$	13 252	\$ 1,666,813	\$	1 669 954	\$	10 111
Liabilities 13,252 1,666,813 1,669,954 10,111 Total Liabilities 13,252 1,666,813 1,669,954 10,111 FLEX SPENDING Assets 2 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Due to Other Governments 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106	· ·	_Ψ			Ψ		_Ψ	
Due to Other Governments			10,202	1,000,010	-	1,000,001		
Total Liabilities 13,252 1,666,813 1,669,954 10,111 FLEX SPENDING Assets Cash and Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Accounts Payable 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 <t< td=""><td></td><td></td><td>13 252</td><td>1 666 813</td><td></td><td>1 669 954</td><td></td><td>10.111</td></t<>			13 252	1 666 813		1 669 954		10.111
FLEX SPENDING Assets 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Due to Other Governments 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 250 35 250 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>								
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Assets 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALIA GENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 26,895 1,716,106 1,710,754 32,247 L	FLEX SPENDING							
Cash and Cash Equivalents 3,232 24,114 23,958 3,388 Total Assets 3,232 24,114 23,958 3,388 Liabilities Due to Other Governments 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Due to Other Governments 26,895 1,716,106 1,710,754 32,247 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>								
Total Assets 3,232 24,114 23,958 3,388 Liabilities 3,232 24,114 23,958 3,388 Total Liabilities 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250			3,232	24,114		23,958		3,388
Due to Other Governments 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	•					23,958		3,388
Due to Other Governments 3,232 24,114 23,958 3,388 COMMUNITY PROJECTS FUND Assets Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	Liabilities		112					
COMMUNITY PROJECTS FUND Assets 10,411 25,179 16,842 18,748 Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997			3,232	24,114		23,958		3,388
Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	Total Liabilities		3,232	24,114		23,958		3,388
Assets 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	•							
Cash and Cash Equivalents 10,411 25,179 16,842 18,748 Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997						٠		
Total Assets 10,411 25,179 16,842 18,748 Liabilities 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								
Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 26,895 1,716,106 1,710,754 32,247 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	·							
Accounts Payable 35 250 35 250 Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 26,895 1,716,106 1,710,754 32,247 Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997			10,411	25,179		16,842		18,748
Due to Other Governments 10,376 25,214 17,092 18,498 Total Liabilities 10,411 25,464 17,127 18,748 ALL AGENCY FUNDS TOTAL								0=0
ALL AGENCY FUNDS TOTAL Assets Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								
ALL AGENCY FUNDS TOTAL Assets 26,895 1,716,106 1,710,754 32,247 Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								
Assets Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	lotal Liabilities		10,411	25,464		17,127		10,740
Assets Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								•
Assets Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997	ALL ACENCY FUNDS TOTAL							
Cash and Cash Equivalents 26,895 1,716,106 1,710,754 32,247 Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								
Total Assets 26,895 1,716,106 1,710,754 32,247 Liabilities Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997			26 895	1 716 106		1 710 754		32.247
Liabilities 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997								
Accounts Payable 35 250 35 250 Due to Other Governments 26,860 1,716,141 1,711,004 31,997				.,,				
Due to Other Governments 26,860 1,716,141 1,711,004 31,997			35	250		35		250
				A				
	Total Liabilities	\$	26,895	\$ 1,716,391	\$	1,711,039	\$	32,247

CITY OF HAWARDEN Schedule of Findings For the Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

<u>Recommendation</u> – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

<u>Response</u> – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion - Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 exceeded amounts budgeted in the Health and Social Services function and Business Type Activities function.

<u>Recommendation</u> – The budget should be amended in accordance with Chapter 384.18 of the Code of lowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended before expenditures are made as appropriate.

Conclusion - Response accepted.

- III-B-08 Questionable Expenses We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-08 <u>Travel Expenses</u> No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF HAWARDEN Schedule of Findings For the Year Ended June 30, 2008

III-D-08 <u>Business Transactions</u> – The following business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2008.

Name, Title and Business Connection	Transaction/Description	<u>Am</u>	<u>ount</u>
Dennis Anderson, Spouse of Council-	Various concrete projects	\$ 14	4,020
Person and owner of Anderson			
Construction			
Koopman's Concrete Company, owned by	Concrete work for	\$ 40	0,955
sibling of the City Director of Finance	City Trail Project		
George Jacobs, Councilperson and	Various catered meals	\$	945
Owner of Central Catering			

The work conducted by Koopman's Concrete Company was properly awarded to the low bidder through the competitive bid process. Each project done by Anderson Construction was awarded through the competitive bid process with the exception of several very small patching or repair projects, and appear proper. The transactions with Central Catering were immaterial in nature and appear appropriate.

- III-E-08 Bond Coverage Surety bond coverage of City officials and employees is in accordance with statutory provisions.
- III-F-08 Board Minutes No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-08 Revenue Bonds No violations of revenue bond resolutions were noted.
- III-H-08 Deposits and Investments No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-I-08 <u>Telecommunication Services</u> No instances of non-compliance with Chapter 388.10 of the Code of lowa were noted.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the City Council City of Hawarden, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA as of and for the year ended June 30, 2008, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$3,846,474 and total program revenues of \$5,407,554 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Hawarden, lowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, lowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, lowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hawarden, lowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Hawarden, lowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Hawarden, lowa's internal control. We consider the deficiency in internal control described in the accompanying

Schedule of Findings as item II-A-08 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Hawarden, lowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

The City of Hawarden, lowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Hawarden, lowa's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P. C. Certified Public Accountants

January 19, 2009